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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 13, 1999

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

Ex Parte: Investigation of
Electric Utility Industry
Restructuring - Appalachian
Power Company

and

CASE NO. PUE960301

APPLICATION OF

APPALACHIAN POWER COMPANY

For an Alternative Regulatory Plan

ORDER ON PROPOSED STIPULATION

On January 11, 1999, the Commission Staff ("Staff") and Appalachian Power Company ("Appalachian" or "the Company") filed a Motion for Consideration of Stipulation in the above-captioned matter. The Stipulation is filed on behalf of the Commission Staff, the Division of Consumer Counsel of the Office of the Attorney General, the Old Dominion Committee for Fair Utility Rates, and Appalachian Power Company, collectively referred to as the "Stipulating Participants." The Stipulation proposes to resolve certain rate and revenue allocation issues and requests that the Commission establish a schedule for the parties to

comment on the Stipulation and for the Stipulating Participants to respond to any objections raised. The Stipulation is included as an attachment to Staff's and the Company's January 11, 1999, Motion.

By Order issued November 12, 1996, the Commission established Case No. PUE960301 and directed the Company to file certain information, studies and analyses addressing a number of matters, including the reasonableness of the Company's rates, the appropriate disposition of any excess earnings, and its proposed alternative regulatory plan, if any, by March 31, 1997, based on a 1996 calendar year.

The Company filed the requested information on March 31, 1997, and on June 13, 1997, made a comprehensive filing that included a proposed alternative regulatory plan ("Plan"). By Order dated July 10, 1997, the Commission provided for notice, established a procedural schedule, and suspended the Company's rates for a period of 150 days, through November 10, 1997.

Subsequently, the Commission granted several extensions for the filing of testimonies, protests, and rebuttal testimony, and granted a general continuance of the hearing date, on advice that the Staff and certain parties to this proceeding had begun and were continuing discussions that were intended to narrow the issues in this case. A hearing for public witnesses only was held on May 19, 1998.

On January 11, 1999, Staff and the Company filed a proposed Stipulation and a motion requesting the following: (1) that the Commission establish a schedule for the parties to comment or file testimony on the Stipulation and for the Stipulating Participants to respond to any objections raised; (2) that a hearing be used to present the Stipulation and address any comments and responses that may have been filed, together with any other issues raised by the parties or otherwise specified by the Commission; and (3) that consideration of issues not resolved by the Stipulation be considered separately, either in this docket at a later date, or in a new docket or another existing docket. Staff and the Company stated that the Stipulation resolves certain rate issues and, if approved by the Commission, would result in a just and reasonable settlement of those issues. Staff and the Company also stated that the settlement would provide for an appropriate refund to Virginia jurisdictional customers and just and reasonable rates on a going-forward basis.

NOW THE COMMISSION, upon consideration of Staff's and the Company's Motion, finds that it is in the public interest to provide parties an opportunity to comment on the Stipulation and to set a hearing date of February 11, 1999, at which time the Stipulation and related matters will be considered.

Any interested party and the Staff may file written comments and/or testimony on any aspect of the Stipulation by January 25, 1999. We ask the parties to address, at a minimum, the following issues: (i) whether the Stipulation should be approved, with support for the party's position; (ii) whether the Stipulation should be modified, amended or rejected and, if so, how and why; (iii) if approved, what specific rates should be approved to implement the proposed Stipulation; and (iv) identification of issues remaining in this case. With respect to item (iv), we ask the parties to identify the issues not resolved by the Stipulation and state whether these issues should be considered in another existing docket or in a new docket. Staff and any party may file a reply to any comments or testimony filed on January 25, 1999, and should do so on or before February 3, 1999.

As stated, the hearing will be scheduled for February 11, 1999. The purpose of the February 11, 1999, hearing will be (i) to receive evidence and comments on the Stipulation and (ii) to identify issues not resolved by the Stipulation and recommend procedures for resolving such issues. We will not receive evidence or entertain cross-examination on issues that are not proposed to be resolved by the Stipulation.

Any party that wishes to participate at the February 11, 1999, hearing may do so if the party files notice of its intent

to participate with the Commission with copies being provided to all other parties and Staff by February 5, 1999. Such notice shall (i) provide a brief description of the issues the party intends to address; (ii) identify witnesses who may be presented, provided each witness's testimony has been prefiled on or before January 25, 1999;¹ (iii) identify each witness the party intends to cross-examine, the portion of each witness's prefiled testimony it intends to address and how the testimony is related to issues proposed to be resolved by the Stipulation.

It is the Commission's current intention to admit to record all comments and testimony that have been filed to this point in this proceeding unless there is a valid objection. If a witness has not been identified in a notice filed by February 5, 1999, his or her presence will not be required.

IT IS ORDERED THAT:

(1) Comments or testimony on the Stipulation and comments on issues not proposed to be resolved by the Stipulation, as requested above, shall be filed with the Clerk of the Commission by January 25, 1999. Copies of such comments and testimony shall be served by hand-delivery or overnight mail on all parties and Staff.

¹ Testimony in response to matters raised for the first time in testimony or comments filed on January 25, 1999, may be presented at the hearing ore tenus, but the notice to be filed on February 5, 1999, shall identify the witnesses to be presented and the issues to be addressed.

(2) Replies to comments and testimony filed on January 25, 1999, shall be filed by February 3, 1999. Copies of such replies shall be served on all parties and Staff.

(3) Any party that wishes to participate at the hearing shall file notice of such intent and serve a copy on the parties and Staff by February 5, 1999. Such notice shall provide a brief description of the issues the party intends to address and the identity of any witnesses that will be presented or cross-examined at the hearing. Where the party proposes to cross-examine a witness, the notice shall identify the portion of the prefiled testimony the party intends to address, and how it is related to the issues proposed to be resolved by the Stipulation.

(4) The hearing date for this matter is scheduled for February 11, 1999, at 10:00 a.m., in the Commission's second floor courtroom, located in the Tyler Building, 1300 East Main Street, Richmond, Virginia.